

USPTO ENROLLMENT, DISCIPLINE AND ETHICS RULEMAKING AND PRACTICE ISSUES

Presented by: James A. Toupin, General Counsel, USPTO

For: State Bar of California,
Intellectual Property Law Section
June 6-7, 2005

Enrollment, Discipline and Ethics Rulemaking

- Proposed rules to revise USPTO rules governing practitioners published December 2003
- Enrollment rules revision to support new computerized system for delivering practitioner exam
- Revised discipline procedure rules
- Revised ethics rules, chiefly replacing 20-year-old rules based on ABA Model Code with new version of ABA Model Rules

Rulemaking Process to date

- After 60-day initial comment period:
 - Discipline and Ethics rules controversial
 - Bar groups, others asked for more time
 - Time to comment expanded to total of six months
 - Enrollment rules revised and adopted
 - New 50-state, every-day test center exam now instituted July 2004
 - Real-time results to begin June 2005

Subsequent Deliberations

- USPTO Public Advisory Committees consulted
- USPTO on most rules of major controversy plans substantial revision of proposals
 - Proposed alternatives for discipline rules probable in next few months
 - Proposed alternatives for ethics rules probable toward end of year

Likely Major Themes of New Proposals

- Revise attempts to adapt state bar procedures to USPTO administrative context – should relieve many concerns about intrusiveness
- Adapt ABA Ethics 2000 initiatives on many points of controversy
 - E.g., full disclosure in writing v. informed consent

Other Procedures under Consideration for Development

- Annual dues
 - Developing technical solutions if adopted
 - Not before 2006
- Mandatory CLE
 - Develop technical solution for web-based course delivery if adopted
 - Develop content
 - Develop process for certifying standard CLE providers to deliver
 - 2006-2007

Major California Bar concerns:

The duty of candor

- Relationship between duty of candor to USPTO and California duty of nondisclosure of client confidences
- Long-standing tension
 - Duty of candor embodied in current Rule 1.56
 - Current ethical duty on attorney as well as client: 10.23(c)(10) (proscribing knowing violation of requirements of § 1.56 or causing the requirements of § 1.56 to be violated)
 - Same objections raised when current rule adopted

USPTO and State rules: not a true conflict of law

- USPTO rules preempt state bar rules re USPTO practice
 - *Sperry v. Florida*, 383 U.S. 379, 137 USPQ 578 (1963), which indicates that Office rules promulgated under former 35 U.S.C. § 31, currently 35 U.S.C. § 2(b)(2)(D), preempt state law.
 - Preemption to extent of federal interest: interest in full disclosure in ex parte prosecution to assure valid patent a federal interest
 - To our knowledge, no state discipline of attorney for compliance with USPTO rules in patent prosecution

USPTO and State rules: not a true conflict of law

- Institutional Consequences
 - Patent prosecution practice not by virtue of state bar membership
 - Can be a patent practitioner without state bar membership
 - State disbarment does not prevent patent practice before Office without USPTO reciprocal discipline

Rule 56 Practice

- Advising client of duty of candor
 - Applicable both to inventor, assignee, attorney
 - At odds with normal expectation in state of nondisclosure of client confidences if information would be material in prosecution under Rule 56
 - Consent as condition of representation?
(Consent as exception under Calif. Rule)

Rule 56 Practice

- Under current and future practice, receiving material information a practitioner has the options:
 - (i) canceling the affected claims,
 - (ii) disclosing the facts and circumstances to the Office orally via an interview with an patent examiner,
 - (iii) disclosing the facts and circumstances to the Office in writing via a response to an Office Action, an Information Disclosure Statement or other written communication,
 - (iv) simply abandoning the patent application.

Rule 56 Practice

- If client declines options,
 - the practitioner must withdraw in accordance with 37 CFR § 10.40(b)(2) (withdrawal is mandatory when a practitioner knows or it is obvious that the practitioner's continued employment will result in violation of a Disciplinary Rule).
 - The practitioner also must withdraw if a fraud is being perpetrated on the Office. 37 CFR § 10.85(b)(2).
 - The withdrawal must be noisy.

Other California Bar question: duty not to advance claim known to be unwarranted

- Is there an FRCP Rule 11-like requirement of good faith ground for advancing proposition in patent prosecution?
 - Myth: Because there is no duty to research for prior art not already known, there is no duty of good faith

Current USPTO FRCP Rule 11-like Requirements

- Fact: Rule 56 defines a duty of reasonable inquiry
- USPTO Rule 10.18(b)(2)(i) requires paper not to be submitted for improper purpose, such as needlessly increase cost of prosecution
- 10(b)(2)(ii) requires claims warranted by existing law or nonfrivolous argument for change in law
- USPTO Rule 10.85(b) requires a practitioner not to advance a claim known to be unwarranted under existing law, absent good faith argument for change in law

The duty of good faith

- Ambiguity
 - Does rule apply to ex parte as well as inter partes?
 - Is filing a patent application an implied representation that the application is merited?
 - Yes to both
 - Strategic Plan initiative to address frivolous filings
 - Proposed rule to eliminate ambiguity

The duty of good faith and the duty of candor

- Just dumping all known prior art in Office not sufficient
 - Hoping patent examiner may miss the killer art does not relieve practitioner of duty to evaluate whether presenting application constitutes an unwarranted claim that the claimed subject matter is entitled to patent
 - Best practice: at least in close case, explain why closest art does not render claim unpatentable
 - Unenforceability concerns best addressed by due care